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ONTARIO ENERGY BOARD

187 ERIE STREET, STRATFORD
TELEPHONE: 519-271-4700
TOLL-FREE: 1-866-444-9370
FAX: 519-271-7204
www.festivalhydro.com

March 8, 2007

Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto ON M4P 1E4

Attention: **Kirsten Walli**
Board Secretary

Dear Kirsten:

RE: 2007 Rate Application for Festival Hydro Inc. EB 2007-0527 – Answers to preliminary review questions

The following are the responses to the preliminary review questions sent by Rudra Mukherji via email on March 8, 2007:

Q # 1 : On Sheet 3 and Sheet 10 of your 2007 IRM Model, the rating dimensions for the Distribution Volumetric Rate, Regulatory Asset Recovery Rate, Retail Transmission Rate – Network Service Rate and Retail Transmission Rate – Line and Transformation Connection Service Rate under “General Service 50 to 4,999 kW” are entered as \$/kW. A review of your current 2006 Board approved Tariff of Rates and Charges indicates the rating dimension to be \$/kWh. Please clarify whether this was a simple transcription error. If not, please provide a full and complete explanation of the basis for using this rating dimension.

Response to Q # 1:

There was a transcription error on the 2006 Board approved Tariff of Rates and Charges. The Board Approved Tariff of Rates and Charges incorrectly uses the kWh rating dimension for the Distribution volumetric rate, regulatory asset recovery rate, retail transmission network and retail transmission connection rates. KW is the correct measurement for these rates. To verify the rating dimension, I referred to Festival Hydro Inc.'s 2006 final EDR model and kW is the correct dimension to be used for these charges in the model.

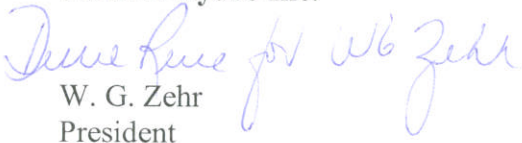
Q # 2 : On Sheet 2, step 1 of your 2007 IRM Model, you have not entered the Service Classifications as they appear in the 2006 Board Approved Tariff of Rates and Charges and nor have you made the selection in column B with either a “Yes” or “No”. Please clarify whether this was a simple transcription error. If not, please provide a full and complete explanation of the basis for using this rating dimension.

Response to Q # 2:

In the 2007 IRM Model (Version # 2) on Tab 2, the Service Classifications have now been listed with a corresponding "Yes" in column B. In addition, the descriptions on Tab 3 have been updated from the 2006 Board approved Tariff of Rates and Changes. This was a simple transcription error. I have printed out a copy of the pages impacted by the changes, namely Sheets 2, 3 and 10.

Please contact Debbie Reece at 519-271-4703 x. 268 if you have any questions regarding the revised 2007 rate application.

Yours truly,
Festival Hydro Inc.


W. G. Zehr
President